

## The U.S. Trade Agenda in 2000

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Thank you all very much.

I am very grateful to Senator Landrieu for inviting me to speak with you today. Over the past four years, she has earned a reputation as one of Congress' most thoughtful and independent leaders, on issues ranging from early childhood development to fiscal policy. This has included the trade agenda, from development of policy in areas like the Caribbean Basin Initiative, to promoting Louisiana interests in rice exports to Japan and many other areas. I feel honored that she has asked me to meet with you this afternoon, and I look forward to your ideas and advice.

Let me also recognize Senator Breaux, one of the Senate's long-time leaders and experts on trade policy. His advice, guidance and friendship over the years has been invaluable to me and to American trade policy, as well as in health care, Social Security and many other fields; not to mention Louisiana's rice farmers, sugar industry and manufacturing.

Louisiana is also very lucky to have one of the House's most hard-working and effective delegations. I have the pleasure of working closely with Congressmen Bill Jefferson and Jim McCrery, who serve on the Ways and Means Committee. Louisiana also has two of the most senior members of the House in Billy Tauzin and Richard Baker, who hold important subcommittee chairmanships with great influence over America's high-tech industries in the case of Congressman Tauzin, and in Congressman Baker's case the financial sector. And all of you know how important agriculture is to Louisiana; and in John Cooksey and Chris John, you have two great advocates for Louisiana's farmers and exporters. And let me also recognize Louisiana's newest Representative, Johnny Isakson.

### USTR INTRODUCTION

I want to begin with a brief introduction of my job and the agency I head, and then turn to some of the major issues we will be addressing this year.

As U.S. Trade Representative, I lead one of the smallest agencies in government. We have 178 full-time employees and a budget of \$26 million; which is in fact not much more than the Defense Department spends on stationery every year. With this we address \$2 trillion in U.S. trade with the world; we monitor and enforce hundreds of agreements; and with help and advice from Senator Landrieu, Senator Breaux and others in Congress, we develop the American agenda

for the future.

Our work rests on a philosophical belief in open and fair competition, together with strong standards to ensure protection for our consumers, workers and environment. At home we are committed to an open market which increases competition and choice; overseas, we create opportunity for American businesses, working people and farmers as we remove trade barriers, cut foreign subsidies and fight unfair trade practices.

Under President Clinton, these principles have helped us negotiate nearly 300 separate trade agreements, including five of truly historic importance: the North American Free Trade Agreement, which cemented our strategic relationship with our neighbors Canada and Mexico; the Uruguay Round, which created the World Trade Organization; and three multilateral agreements on Information Technology, Basic Telecommunications and Financial Services.

In part because of this, our country's exports grew to nearly a trillion dollars in goods and services last year, 55% more than in 1992. Louisiana, with its highly competitive farmers and growing high-tech economy, has seen exports rise by nearly \$1 billion since 1992. Together with the elimination of the federal deficit beginning in 1993 and strengthened federal commitment to education, the opening world market has helped our country develop a record of:

- Growth: Our economy has grown from \$7.0 trillion to \$9.2 trillion in real terms, during the longest expansion in American history. To put this in context, only two nations in the world other than the United States have an economy larger than \$2 trillion.
- Jobs: We have created over 20 million new jobs, with nearly 300,000 more Louisiana men and women on the job, and Louisiana unemployment falling from 8.2% to 5.5%.
- Rising Living Standards: Hourly wages for nonsupervisory workers are up by 6.8% and poverty rates have fallen to the lowest levels in 30 years.

## CHINA WTO ACCESSION

Where do we go from here? Let me give you a look at two of our top priorities.

First, we have an exceptionally important initiative in our bilateral agreement with China on membership in the World Trade Organization. We will be asking for help and support from each member of the Louisiana delegation on it. The agreement has broad implications for reform and liberalization within China. And it is a key element in America's security interest in a stable and mutually beneficial relationship with the world's largest nation. But it is at bottom a trade agreement, and let me give you some of the highlights for Louisiana.

- China's industrial tariffs will fall from an average of 25% in 1997 to an average of 9.4% by 2005. For Louisiana's high-tech community, tariffs on computers and computer equipment

will fall from an average of 13% to zero by 2005. And China will cut chemical tariffs by more than half, from a current average rate of 14.74% to 6.9%.

- In agriculture, tariffs on U.S. priority products will drop from an average of 31% to 14% in January 2004. China will also expand access for bulk agricultural products. It will create a tariff-rate quota of 743,000 metric tons of cotton, nearly four times the 1998 import total of 200,000 tons; and raise it to 894 thousand tons by 2004. For rice, China imported 250,000 tons in 1998; it will create a TRQ ten times bigger – 2.66 million metric tons – after joining the WTO. And it will double this to 5.32 million by 2004.
- Likewise in services, the agreement will open the market for distribution, insurance, express delivery, telecommunications, banking, law, accounting, engineering, construction, environmental services, and other industries.
- We also address the special and unusual characteristics of the Chinese economy with measures to address state trading; a ban on forced technology transfer; the elimination of investment policies intended to draw jobs and technology to China, such as local content, offsets and export performance requirements. We strengthen protections for Americans against import surges from China, and we ensure that we retain strong measures to fight abusive export practices like dumping remain in .

Let me give you a case study of how it all fits together for one particular Louisiana industry. Last year, China was an important market for American crayfish farms: the Chinese bought 107,000 kilos, more than all but three other countries. But that is a pretty small figure next to the 1.6 million kilos we imported from China. And our WTO accession agreement gives us an opportunity to even the field a bit.

- First, we strengthen the guarantees American producers have that China will play fair. We create a special safeguard which crayfish producers (like auto factories, steel mills and any other industry) can use in the event of an import surge from China. And we guarantee our right to use special procedures to fight dumping.
- Then, we open China's market. We begin by cutting China's tariff on frozen and fresh crayfish from 30% to 16%, and bar China from imposing any new quotas. Then we get China to agree, for the first time in fifty years, that Chinese hotels and restaurants can import crayfish and other foods directly from the United States. And we ensure that China's border inspections will rest on scientific judgments rather than attempts to exclude our products.

So in essence, one part of the WTO agreement is a comprehensive trade agreement on trade in crayfish. We go on from it to similar agreements in every major industry, from rice and cotton to chemicals, cars, computers and all the rest. And these are essentially one-way deals: China changes its policies across the board, while we change no market access policies, amend

none of our fair trade or export control laws.

But we do have one obligation. The United States must grant China permanent NTR or risk losing the full benefits of the agreement we negotiated, including special import protections, and rights to enforce China's commitments through WTO dispute settlement. This is, in terms of our policy toward China, no real change. NTR is simply the tariff status we have given China every year for the past twenty years, and which every other country but for a very few such as North Korea, Afghanistan and Serbia already have. But the legislative grant of permanent NTR is critical. All WTO members, including ourselves, pledge to give one another permanent NTR. If Congress were to refuse to grant permanent NTR, our Asian, Latin and European competitors will reap these benefits but American farmers and businesses may well be left behind.

### CARIBBEAN BASIN INITIATIVE

Second, and central to this meeting, we are building the framework of a more open and free western hemisphere.

Ultimately, our most important relationships are always those with our neighbors. This is true in daily life; and it is true in trade. The North American Free Trade Agreement has helped Louisiana to double its exports to Mexico and Canada over the past six years. And as the western hemisphere opens up more fully, Louisiana stands to gain millions of dollars and thousands of jobs.

So as we work to open overseas markets like China's, we are also working with our closest neighbors to our mutual benefit. This ties in very closely with events like the IADB meeting later this year in Louisiana, which help create the personal ties and specific projects that build long-term relationships. And our most immediate priority here is the enhancement of the Caribbean Basin Initiative, through passage of a law helping to strengthen our trade relationships with Central America and the Caribbean islands.

This initiative capitalizes on one of the past decade's most remarkable and positive developments, in the emergence of Central America from endemic poverty and civil wars to a new era of growth and hope. This has had, among other things, a remarkable set of concrete economic benefits for Americans: although they are small countries, the CBI countries taken together are a larger export market for Louisiana than any country but Japan.

The Caribbean Basin Initiative or "CBI", over the years, has helped to lay the foundation for this progress. By opening markets for their products, it has helped to spur investment and growth, giving the people of the region a new and broader set of economic opportunities. And our planned enhancement of CBI, including measures the Louisiana delegation has supported to ensure that regional textile exporters to the U.S. use American yarn, will help these countries maintain their competitiveness and development as a much broader project begins.

## FTAA

That is the creation of a Free Trade Area of the Americas.

This is an extraordinarily ambitious and complex initiative, bringing together all of the 34 democratic nations of the Western Hemisphere. In the largest sense, it is an effort to capitalize on a unique hemispheric convergence of values and ideas – democratic governance, free and open markets, shared destiny. In more concrete economic terms, it is a project of growth and rising living standards for the entire Western Hemisphere. By 2005, it will create a single trade zone which includes nearly a billion people; and which deepens a trading community that already takes nearly half of all America's goods exports, and nearly \$2 billion worth of Louisiana's goods and farm products.

Over the course of the next year, we will be working out a draft text for an agreement; and that in itself is a remarkable achievement. Geography, especially if you live at the mouth of the Mississippi, makes hemispheric free trade a very logical idea. The final agreement will place Louisiana at the center of one of the world's largest and most rapidly developing trade zones in the world, creating opportunities for the state's farmers, businesses, port workers and high-tech firms.

And therefore others have thought about it before. In fact, we were discussing the hemispheric free trade concept as far back as the 1830s, when New Orleans had been American for less than thirty years and South America independent for just over a decade. But different political systems, economic ideas and misperceptions on both sides always kept the idea from moving beyond rhetoric. This is the first time in that long stretch of history when we have been able to sit down to the work itself.

We have a great deal of work ahead; and to ensure that the momentum does not flag, as we begin the policy negotiations we are also agreeing upon a series of practical business facilitation measures.

- Last year, we already agreed to immediately implement eight separate customs reforms, from ensuring that visa and customs requirements are posted on the Web to streamlined customs procedures for express shipments and commercial samples.
- This year, we hope to go further, toward such measures as adopting OECD privacy principles, electronic signatures, eliminating redundant testing and certification requirements, and ensuring duty-free cyber-space.

## CONCLUSION

Such measures will have immediate and concrete benefits for businesses, and for men and women on the job, in Louisiana and every other American trading community. And together with

the negotiations underway that open markets, promote the rule of law, and develop shared prosperity throughout the hemisphere, they also reflect a broader vision that America has advanced for many years.

That is the combination of high ideals, enlightened self-interest and patient, detailed work that moves our country, our neighbors and the world towards a future of rising living standards, sustainable growth and strengthening peace.

This is not an easy vision to achieve; and in fact, nothing important is ever easy. But with support and guidance from Congress, and advice from all of you personally and directly involved in the development of hemispheric trade, we are coming closer every day.

Thank you very much, and now let me take your questions.